

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

VILLAGE OF PINCKNEY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2005

VILLAGE OF PINCKNEY

VILLAGE OFFICIALS

President – Rebecca Foster
Clerk - Amy Felty
Treasurer - Judith Paul

VILLAGE COUNCIL TRUSTEES

Patrick Dewey
Rebecca Foster
Kurt Mohrmann
Carol Norman
James Shay
Robert Stone
Jeffrey Teachout

VILLAGE ATTORNEY

Cohl, Stoker, Toskey & McGlinchy

VILLAGE AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA

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July 29, 2005

To the Village Council
Village of Pinckney
220 S. Howell
Pinckney, Michigan 48169

INDEPENDENT AUDITORS' REPORT

Honorable Council Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Pinckney as of and for the year ended February 28, 2005, which collectively comprise the Village of Pinckney's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Pinckney's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above do not include financial data of the Pinckney Auxiliary Police Officers Association, which should be included in order to conform with accounting principles generally accepted in the United States of America. See Note 13 for details regarding omission of this component unit.

In our opinion, except for the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Pinckney as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 12, the Village has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of February 28, 2005.

The Management's Discussion and Analysis and other required supplementary information on pages 8 through 13 and 46 through 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Pinckney's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements and individual fund statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT
DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis February 28, 2005

Within this section of Village of Pinckney's annual financial report, the Village's management is providing a narrative discussion and analysis of the financial activities of the Village for the fiscal year ended February 28, 2005. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Village's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Village's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Village also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Village's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Village's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Village-wide statement of position presenting information that includes all the Village's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village as a whole is improving or deteriorating. Evaluation of the overall health of the Village may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Village's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Village's distinct activities or functions on the revenues generated by the Village.

Both government-wide financial statements distinguish governmental activities of the Village that are principally supported by taxes and revenue sharing from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include water & sewer system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Village programs.

The Village's financial reporting includes all the funds of the Village (primary government) and, additionally, organizations for which the Village is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village's most significant funds rather than the Village as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Village has three kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Proprietary funds are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Village activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Village as a Whole

The Village has implemented the new financial reporting model used in this report beginning with the current fiscal year ended February 28, 2005. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Village as a whole.

The Village's net assets at the end of the fiscal year were \$11,172,994. This is a \$797,637 decrease over last year's net assets of \$11,970,631.

The following tables provide a summary of the Village's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,700,973	\$ 4,033,311	\$ 5,734,284
Capital assets	643,649	6,337,485	6,981,134
Total assets	<u>2,344,622</u>	<u>10,370,796</u>	<u>12,715,418</u>
Other liabilities	243,119	29,305	272,424
Long-term liabilities	370,000	900,000	1,270,000
Total liabilities	<u>613,119</u>	<u>929,305</u>	<u>1,542,424</u>
Net assets:			
Invested in capital assets, net of related debt	265,749	5,437,485	5,703,234
Unrestricted	1,465,754	4,004,006	5,469,760
Total net assets	<u>1,731,503</u>	<u>9,441,491</u>	<u>11,172,994</u>

Summary of Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Program revenues			
Charges for services	\$ 183,658	\$ 445,959	\$ 629,617
Capital contributions		103,715	103,715
General revenues			-
State shared revenues	308,853		308,853
Property taxes	740,966		740,966
Interest	23,080	86,511	109,591
Other	54,161	15,561	69,722
Total revenues	<u>1,310,718</u>	<u>651,746</u>	<u>1,962,464</u>
Expenses			
General government	294,891		294,891
Police protection	325,562		325,562
Community development	82,612		82,612
Public works	506,772		506,772
Interest on long-term debt	13,066		13,066
Water and sewer systems		721,823	721,823
Total expenses	<u>1,222,903</u>	<u>721,823</u>	<u>1,944,726</u>
Changes in net assets before special item	87,815	(70,077)	17,738
Special item - connection fees repaid		(815,375)	(815,375)
Changes in net assets and special item	87,815	(885,452)	(797,637)
Beginning net assets	<u>1,643,688</u>	<u>10,326,943</u>	<u>11,970,631</u>
Ending net assets	<u>\$ 1,731,503</u>	<u>\$ 9,441,491</u>	<u>\$ 11,172,994</u>

This year the Village saw a slight increase of cash and cash equivalents in the governmental funds due to the issuance of bonds for the Downtown Development Authority. However, cash has significantly dropped for the Village's proprietary funds due to the connection and user fees repaid as part of litigation for its utility systems.

Also, the governmental funds came near a breakeven by increasing its net assets by \$87,815 whereas the proprietary funds have decreased by \$885,452 due to the aforementioned connection and user fees being repaid and extensive legal fees.

Financial Analysis of the Village's Major Funds

The Village's General Fund had revenues over expenditures totaling \$3,561. This near breakeven scenario is typical of the Village's operations. The prior fiscal year revenues exceeded expenditures by \$15,065 before other financing sources.

Two of the Village's major funds are the Major Street and Highway Funds. The Major Street fund had a decrease in its fund balance by \$78,486, but the Highway Fund increased its fund balance by \$143,763. Typically, the Highway Fund would make operating transfers to the Major Street fund to cover this current year disparity of revenues and expenditures, but it did not in the current year. Combined, both funds had \$191,193 of expenditures for various road improvement projects.

The remaining major governmental fund, the Downtown Development Authority, had a significant amount of activity in the current year. This fund issued \$370,000 of bonds to finance the \$389,882 spent for various capital improvements.

The Village's two major business-type funds, the Sewage Disposal System and Village Water Fund had substantial one-time losses. While both these funds had operating losses totaling \$228,736 much of this could be attributed to the \$245,322 of depreciation. The loss in the current year was largely in part to the \$815,375 of connection and user fees repaid from settled litigation.

General Fund Budgetary Highlights

The General Fund adopted its budget prior to the fiscal year in accordance with Public Act 493 of 2000. Total budgeted appropriations exceeded actual expenditures by \$69,881. Expenditures are budgeted by activity, and several of these activities exceeded budgeted appropriations while remaining \$58,078 under the budget in the aggregate. The budget was amended during the year to account for various immaterial differences between budget and actual. One material amendment was made to account for increased cost of refuse disposal totaling \$20,250.

Capital Asset and Debt Administration

The governmental funds of the Village purchased \$349,334 of new capital assets this year for sidewalk and road improvements for the Downtown Development Authority. To finance this \$370,000 of bonds were sold during the year.

While the governmental funds did issue \$370,000 of new bond debt, the Village did pay \$7,900 of the lease still owed on the DPW truck. One more principal payment of \$7,900 will be required in July 2005.

The business type funds issued no new debt for its utility systems, but did manage to reduce the balance owed on the bonds by \$35,000 to \$900,000.

Economic Conditions and Future Activities

The Village is anticipating a further drop in state revenue sharing for its general fund to continue into next year due to the state's declining economic environment.

The Village Council has approved and will be changing the Village fiscal year to a June 30th year end. The next audit reporting period will be for the 4 months ended June 30, 2005. By switching fiscal reporting periods, the Village will not recognize property taxes in the subsequent period.

Contacting the Village's Financial Management

This report is designed to provide a general overview of the Village's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Village of Pinckney at 220 S. Howell, Pinckney, Michigan, 48169

BASIC
FINANCIAL STATEMENTS

GOVERNMENT - WIDE
FINANCIAL STATEMENTS

VILLAGE OF PINCKNEY
STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,515,412	\$ 825,732	\$ 2,341,144
Cash and equivalents - restricted		2,560,513	2,560,513
Receivables			
Taxes	31,753		31,753
State shared revenues	23,865		23,865
Intergovernmental	15,714	97	15,811
Accounts	62,525	143,631	206,156
Special assessments		484,903	484,903
Prepaid expenditures	51,704	17,235	68,939
Inventory		1,200	1,200
Capital assets:			
Land	35,805	49,682	85,487
Buildings and improvements	591,582		591,582
Water and sewer systems		9,304,471	9,304,471
Machinery and equipment	376,349		376,349
Less accumulated depreciation	<u>(360,087)</u>	<u>(3,016,668)</u>	<u>(3,376,755)</u>
Total assets	<u>2,344,622</u>	<u>10,370,796</u>	<u>12,715,418</u>
LIABILITIES			
Accounts payable	147,069	8,205	155,274
Accrued wages/taxes	50,142		50,142
Accrued interest payable	7,120	19,573	26,693
Intergovernmental payable	11,900	1,527	13,427
Deferred revenue	18,988		18,988
Contracts payable	7,900		7,900
Bonds payable	<u>370,000</u>	<u>900,000</u>	<u>1,270,000</u>
Total liabilities	<u>613,119</u>	<u>929,305</u>	<u>1,542,424</u>
NET ASSETS			
Invested in capital assets, net of related debt	265,749	5,437,485	5,703,234
Unrestricted	<u>1,465,754</u>	<u>4,004,006</u>	<u>5,469,760</u>
Total net assets	<u>\$ 1,731,503</u>	<u>\$ 9,441,491</u>	<u>\$ 11,172,994</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>
Primary government -			
Governmental activities:			
General government	\$ (294,891)	\$ 33,612	\$
Public works	(162,663)		
Police protection	(325,562)		
Roads	(223,023)	19,988	
Refuse	(101,300)	116,258	
Community development	(82,612)		
Cemetery	(19,786)	13,800	
Interest on long-term debt	(13,066)		
Total primary government	<u>(1,222,903)</u>	<u>183,658</u>	
Business-type activities:			
Sewer system	(480,187)	302,309	61,670
Water system	(241,636)	143,650	42,045
Total business-type activities	<u>(721,823)</u>	<u>445,959</u>	<u>103,715</u>
Total	<u>\$ (1,944,726)</u>	<u>\$ 629,617</u>	<u>\$ 103,715</u>

General Revenues:

Property taxes
State shared revenues
Interest income
Rental income
Other income

Total general revenues

Changes in net assets before special item

Special item – Connection and user fees repaid

Changes in net assets and special item

Net assets, March 1, 2004

Net assets, February 28, 2005

The notes are an integral part of the financial statements.

Net (Expenses) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (261,279)	\$	\$ (261,279)
(162,663)		(162,663)
(325,562)		(325,562)
(203,035)		(203,035)
14,958		14,958
(82,612)		(82,612)
(5,986)		(5,986)
<u>(13,066)</u>		<u>(13,066)</u>
<u>(1,039,245)</u>		<u>(1,039,245)</u>
	(116,208)	(116,208)
	<u>(55,941)</u>	<u>(55,941)</u>
	(172,149)	(172,149)
(1,039,245)	(172,149)	(1,211,394)
740,966		740,966
308,853		308,853
23,080	86,511	109,591
33,140		33,140
<u>21,021</u>	<u>15,561</u>	<u>36,582</u>
<u>1,127,060</u>	<u>102,072</u>	<u>1,229,132</u>
87,815	(70,077)	17,738
	<u>(815,375)</u>	<u>(815,375)</u>
87,815	(885,452)	(797,637)
<u>1,643,688</u>	<u>10,326,943</u>	<u>11,970,631</u>
<u>\$ 1,731,503</u>	<u>\$ 9,441,491</u>	<u>\$ 11,172,994</u>

FUND
FINANCIAL STATEMENTS

VILLAGE OF PINCKNEY
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Highway</u>	<u>Downtown Development Authority</u>
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 610,450	\$ 118,783	\$ 310,261	\$ 267,091
Receivables				
Taxes	2,424		2,299	27,030
State shared revenues	23,865			
Accounts	37,287	16,444	1,415	
Due from other funds	15,714			
Prepaid expenditures	<u>44,005</u>	<u>3,366</u>		
Total assets	<u>\$ 733,745</u>	<u>\$ 138,593</u>	<u>\$ 313,975</u>	<u>\$ 294,121</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 17,092	\$ 10,490	\$	\$ 119,362
Accrued interest payable				7,120
Accrued wages and absences	50,142			
Due to other funds				11,900
Deferred revenue	<u>18,988</u>			
Total liabilities	86,222	10,490		138,382
FUND BALANCE				
Unreserved	<u>647,523</u>	<u>128,103</u>	<u>313,975</u>	<u>155,739</u>
Total liabilities and fund balance	<u>\$ 733,745</u>	<u>\$ 138,593</u>	<u>\$ 313,975</u>	<u>\$ 294,121</u>

The notes are an integral part of the financial statements.

Other Non-major Funds	Total
\$ 208,827	\$ 1,515,412
	31,753
	23,865
7,379	62,525
	15,714
<u>4,333</u>	<u>51,704</u>
<u>\$ 220,539</u>	<u>\$ 1,700,973</u>

\$ 125	\$ 147,069
	7,120
	50,142
	11,900
	<u>18,988</u>
125	235,219
<u>220,414</u>	<u>1,465,754</u>
<u>\$ 220,539</u>	<u>\$ 1,700,973</u>

VILLAGE OF PINCKNEY
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
FEBRUARY 28, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 1,465,754
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Historical cost	\$ 1,003,736	
Depreciation	<u>(360,087)</u>	
Capital assets net of depreciation		643,649
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. This includes:		
Contracts payable	(7,900)	
Bonds payable	<u>(370,000)</u>	
Total		<u>(377,900)</u>
Net assets of governmental activities		<u>\$ 1,731,503</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	General	Major Street	Highway	Downtown Development Authority
REVENUES				
Taxes	\$ 527,599	\$	\$ 135,014	\$ 78,353
Intergovernmental - state	168,824	96,141		
Licenses and permits	17,072			
Rental income	33,140			
Charges for services	132,798		19,988	
Interest	10,506	2,244	3,070	3,945
Miscellaneous	<u>20,131</u>		<u>13</u>	
Total revenues	<u>910,070</u>	<u>98,385</u>	<u>158,085</u>	<u>82,298</u>
EXPENDITURES				
General government	289,802			
Public works	115,918			
Police protection	322,560			
Refuse	101,300			
Cemetery				
Streetlights	34,306			
Road improvements		176,871	3,376	
Community development	<u>42,623</u>		<u>10,946</u>	<u>389,882</u>
Total expenditures	<u>906,509</u>	<u>176,871</u>	<u>14,322</u>	<u>389,882</u>
Excess of revenues over (under) expenditures	<u>3,561</u>	<u>(78,486)</u>	<u>143,763</u>	<u>(307,584)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds				370,000
Transfers in				
Transfers out	<u>(7,382)</u>			
Total other financing sources (uses)	<u>(7,382)</u>			<u>370,000</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	(3,821)	(78,486)	143,763	62,416
FUND BALANCE, MARCH 1, 2004	<u>651,344</u>	<u>206,589</u>	<u>170,212</u>	<u>93,323</u>
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 647,523</u>	<u>\$ 128,103</u>	<u>\$ 313,975</u>	<u>\$ 155,739</u>

The notes are an integral part of the financial statements.

Other Non-major Funds	Total
\$	\$
43,888	740,966
	308,853
	17,072
	33,140
13,800	166,586
3,315	23,080
<u>877</u>	<u>21,021</u>
<u>61,880</u>	<u>1,310,718</u>
	289,802
	115,918
1,225	323,785
	101,300
18,988	18,988
	34,306
42,776	223,023
<u></u>	<u>443,451</u>
<u>62,989</u>	<u>1,550,573</u>
<u>(1,109)</u>	<u>(239,855)</u>
	370,000
7,382	7,382
<u></u>	<u>(7,382)</u>
<u>7,382</u>	<u>370,000</u>
6,273	130,145
<u>214,141</u>	<u>1,335,609</u>
<u>\$ 220,414</u>	<u>\$ 1,465,754</u>

VILLAGE OF PINCKNEY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 130,145
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:

Capital outlay	\$ 349,334
Depreciation expense	<u>(29,564)</u>
Net	319,770

Repayment of bond and contract payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repayment of: Contracts payable	7,900
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Proceeds from long-term debt provide current financial resources to governmental funds, but the issuing of debt increase long-term liabilities in the Statement of Activities

Bond proceeds	<u>(370,000)</u>
Change in net assets of governmental activities	<u>\$ 87,815</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 28, 2005

	Sewage Disposal System	Water Fund Village	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 362,363	\$ 463,369	\$ 825,732
Special assessments receivable	292,969	191,934	484,903
Accounts receivable	103,394	40,237	143,631
Due from other funds	70	27	97
Prepaid expenses	8,800	8,435	17,235
Inventory	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>
Total current assets	<u>767,596</u>	<u>705,202</u>	<u>1,472,798</u>
Restricted assets			
Cash and cash equivalents	<u>1,311,776</u>	<u>1,248,737</u>	<u>2,560,513</u>
Capital assets			
Land	49,682		49,682
Water and sewer systems	<u>5,225,390</u>	<u>4,079,081</u>	<u>9,304,471</u>
Net	5,275,072	4,079,081	9,354,153
Less accumulated depreciation	<u>(1,801,540)</u>	<u>(1,215,128)</u>	<u>(3,016,668)</u>
Capital assets, net	<u>3,473,532</u>	<u>2,863,953</u>	<u>6,337,485</u>
Total assets	<u>5,552,904</u>	<u>4,817,892</u>	<u>10,370,796</u>
LIABILITIES			
Current liabilities			
Accounts payable	6,697	1,508	8,205
Accrued interest payable	11,844	7,729	19,573
Due to other funds		1,527	1,527
Bonds payable – current portion	<u>25,000</u>	<u>15,000</u>	<u>40,000</u>
Total current liabilities	<u>43,541</u>	<u>25,764</u>	<u>69,305</u>
Long-term liabilities			
Bonds payable – less current portion	<u>565,000</u>	<u>295,000</u>	<u>860,000</u>
Total liabilities	<u>608,541</u>	<u>320,764</u>	<u>929,305</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,883,532	2,553,953	5,437,485
Unrestricted	<u>2,060,831</u>	<u>1,943,175</u>	<u>4,004,006</u>
Total net assets	<u>\$ 4,944,363</u>	<u>\$ 4,497,128</u>	<u>\$ 9,441,491</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Sewage Disposal System	Water Fund Village	Total
OPERATING REVENUES			
Charges for services	\$ 302,309	\$ 143,650	\$ 445,959
OPERATING EXPENSES	<u>451,684</u>	<u>223,011</u>	<u>674,695</u>
Operating (loss)	<u>(149,375)</u>	<u>(79,361)</u>	<u>(228,736)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	45,600	40,911	86,511
Interest expense	(28,503)	(18,625)	(47,128)
Other	<u>9,127</u>	<u>6,434</u>	<u>15,561</u>
Net non-operating revenues	<u>26,224</u>	<u>28,720</u>	<u>54,944</u>
Loss before capital contributions and special item	(123,151)	(50,641)	(173,792)
CAPITAL CONTRIBUTIONS			
Connection fees	<u>61,670</u>	<u>42,045</u>	<u>103,715</u>
Net (loss) before special item	(61,481)	(8,596)	(70,077)
SPECIAL ITEM			
Connection fees repaid	<u>(692,825)</u>	<u>(122,550)</u>	<u>(815,375)</u>
Net (loss)	(754,306)	(131,146)	(885,452)
NET ASSETS AT MARCH 1, 2004	<u>5,698,669</u>	<u>4,628,274</u>	<u>10,326,943</u>
NET ASSETS AT FEBRUARY 28, 2005	<u>\$ 4,944,363</u>	<u>\$ 4,497,128</u>	<u>\$ 9,441,491</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Sewage Disposal System	Water Fund Village	Total
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash received from users	\$ 373,874	\$ 141,389	\$ 515,263
Cash payments to suppliers	<u>(325,729)</u>	<u>(113,935)</u>	<u>(439,664)</u>
Net cash from operating activities	<u>48,145</u>	<u>27,454</u>	<u>75,599</u>
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees received	61,670	42,045	103,715
Connection fees repaid	(692,825)	(122,550)	(815,375)
Purchase of fixed assets		(11,049)	(11,049)
Special assessments collected	20,926	35,966	56,892
Repayment of bonds	(20,000)	(15,000)	(35,000)
Interest paid	<u>(28,503)</u>	<u>(19,393)</u>	<u>(47,896)</u>
Net cash (used in) capital and related financing activities	<u>(658,732)</u>	<u>(89,981)</u>	<u>(748,713)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Interest on cash and investments	<u>45,600</u>	<u>26,023</u>	<u>71,623</u>
Net (decrease) in cash and cash equivalents	(564,987)	(36,504)	(601,491)
CASH AND CASH EQUIVALENTS AT MARCH 1, 2004	<u>2,239,126</u>	<u>1,748,610</u>	<u>3,987,736</u>
CASH AND CASH EQUIVALENTS AT FEBRUARY 28, 2005	<u>\$ 1,674,139</u>	<u>\$ 1,712,106</u>	<u>\$ 3,386,245</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating (loss)	\$ <u>(149,375)</u>	\$ <u>(79,361)</u>	\$ <u>(228,736)</u>
Adjustments to reconcile operating income to net cash from (used in) operating activities			
Miscellaneous income/expenses	9,127	6,834	15,961
Depreciation	139,637	105,685	245,322
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	71,565	(2,261)	69,304
(Increase) in prepaid expenses	(871)	(836)	(1,707)
(Increase) decrease in due from other funds	(63)	1	(62)
Increase in accounts payable	(21,875)	(2,106)	(23,981)
(Decrease) in due to other funds	<u></u>	<u>(502)</u>	<u>(502)</u>
Total adjustments	<u>197,520</u>	<u>106,815</u>	<u>304,335</u>
Net cash from operating activities	<u>\$ 48,145</u>	<u>\$ 27,454</u>	<u>\$ 75,599</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
FEBRUARY 28, 2004

Trust and
Agency

ASSETS

ASSETS

Cash

\$ 48,471

LIABILITIES

LIABILITIES

Due to others

\$ 46,087

Due to other funds

2,384

Total liabilities

\$ 48,471

NOTES
TO
FINANCIAL
STATEMENTS

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Village relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. The more significant accounting policies of the Village are described below.

A. FINANCIAL REPORTING ENTITY

The Village of Pinckney was incorporated in 1895 as a general law Village, under the provision of Public Act 3 of 1895. The Village operates under a council form of government and provides the following services as authorized by its charter; public safety, highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administration services.

The following related organization has been determined as not meeting the criteria as a component unit:

Pinckney Community Public Library

In accordance with the GASB Statement 39, all funds, agencies and activities of the Village of Pinckney have been included in the financial statements, except as noted in Note 13.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Village as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The government-wide Statement of Net Assets reports all financial and capital resources of the Village (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally the Village would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The Government-Wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Village are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, are combined in a single column on the fund financial statements. The Village has only included the minimum amount of funds meeting the criteria as a major fund.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for all the activity associated with maintaining the Village's major streets. Revenues from this fund are generally derived by State of Michigan reimbursements and transfers within the Village.

The Highway Fund accounts for the property taxes and subsequent transfer of funds to maintain the streets of the Village.

The Downtown Development Authority Fund accounts for the activity associated with the promotion of community/Village business development. This fund receives funds primarily through property taxes collected.

The Village reports the following major enterprise funds:

The Sewage Disposal Fund accounts for all the activity associated with the operations and maintenance of operating a sewage treatment system.

The Village Water Fund accounts for all the activity associated with the operations and maintenance of operating a water distribution system.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements.

Enterprise funds account for operations where the intent of the Village is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for any activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges of the activity, or 3) it is the policy of the Township to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Township has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

Fiduciary funds account for assets held by the Village in a trustee or agency capacity on behalf of others and, therefore, are not available to support Village programs. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Village available to support Village programs. The Village currently maintains an agency fund to account for the monies collected and paid on behalf of developer's escrow accounts.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Village) are defined as assets with an initial, individual cost of more than \$5,000) and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Real property are considered capital assets regardless of initial cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	5 to 50 years
Utility plant	5 to 50 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 75 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

E. BUDGETARY DATA

The Village council follow the procedures as outlined in the Uniform Budgeting Manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The budget committee prepares the annual budgets. The proposed budget is then submitted for discussion and approved by the entire Village council. The budget is approved by activity rather than line item. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Village council at any of their regular meetings. Budget appropriations made, but not expended by year end, will lapse with the fiscal year end.

For the year ended February 28, 2005, expenditures exceeded appropriations in several functional activities.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. PROPERTY TAXES

Village taxes are levied each July 1 and are payable without penalty through September 14. Property tax revenues are recognized as revenue in the fiscal year levied to the extent that they are measurable and available. The delinquent real property taxes of the Village of Pinckney are purchased by Livingston County. The county paid the Village the delinquent real taxes in October 2004.

Michigan personal property tax assessments have been based, since the 1960's, on the use of one of more of several different multiplier tables formulated by the State Tax Commission against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The State Tax commission has indicated that it plans to reformulate the multipliers. The State Tax Tribunal has informally indicated that once the new multipliers are approved, it may allow them to be applied retroactively in pending personal property tax appeals.

G. MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. CASH EQUIVALENTS

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

I. RISK MANAGEMENT

The Village is exposed to various risks of loss pertaining to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

J. ACCRUED COMPENSATED ABSENCES

It is the Village's personnel practice to grant vacation and sick pay according to years of service. Employees are allowed to accrue sick pay from year to year up to 90 days. Vacation days must be used in the year they are earned and do not carryover year to year. Employees are also allowed to accrue compensation time based on overtime worked and not paid for. Compensation time may only be accrued up to one year at which time the employee is paid-off. It is anticipated that the compensated absences will be paid during the next fiscal year. The Village has accrued the following amount in the general fund as of February 28, 2005.

Accrued sick and vacation time	<u>\$ 50,142</u>
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VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

L. CAPITALIZATION OF INTEREST

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets.

M. INCOME TAXES

As a governmental agency, the Village is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations to the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village maintains an imprest petty cash account in the amount of \$300.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's deposits and investments are as follows:

<u>Deposits</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 300,000	\$	\$ 300,000	\$ 300,000
Uninsured and uncollateralized	<u>4,601,657</u>	<u>48,471</u>	<u>4,650,128</u>	<u>4,672,448</u>
Total deposits	<u>\$ 4,901,657</u>	<u>\$ 48,471</u>	<u>\$ 4,950,128</u>	<u>\$ 4,972,448</u>

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 3 - INTERFUND BALANCES

All interfund balances are short-term in character. Interfund transfers will be collected during the next reporting period.

NOTE 4 - OTHER FINANCING SOURCES (USES)

The transfers of cash between the various funds are budgeted and reported separate from revenues and expenditures as transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund. The Village also records all proceeds from the issuance of debt instruments as other financing sources in the fund financial statements.

NOTE 5 - PENSION PLAN

Plan Description - The Village of Pinckney participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer, state-wide, defined benefit public employee retirement plan created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits on a voluntary basis to the State's local government employees. Under Public Act 220, MERS became an independent public non-profit corporation independent from State government. The effective date of independence was August 15, 1996, at which time MERS ceased to be a part of the State of Michigan, Department of Management and Budget. The Village has no fiduciary responsibility for the plan. All full-time employees of the Village are eligible to participate in the plan immediately upon employment.

As of February 28, 2004, the Village had ten covered employees and twenty-seven total employees. Covered and total payrolls for the year then ended was \$411,840 and \$507,948 respectively.

The Village is covered under benefit program B-2. The plan provides for vesting of benefits after ten years of service. Participants may elect normal retirement at age 60, with 10 or more years of service. The plan also provides for early retirement at age 55, with 15 or more years of service, and at age 50 with 25 or more years of service.

Employees contribute 4% of all wages per calendar year.

The Village currently has one retirant beneficiary in the plan.

The following information, which is the most current available, was extracted from the Village's actuarial consultants, Gabriel, Roeder, Smith & Company in their report released in July 2004. The amount disclosed as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (a) help users assess the plan's funding status on a going-concern basis, (b) assess progress being made in accumulating sufficient assets to pay benefits when due, and (c) allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 5 - PENSION PLAN (continued)

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.5% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement.

At January 1, 2004, the unfunded pension benefit obligation was \$261,275, determined as follows:

Pension benefit obligation	
Retirees and beneficiaries currently receiving benefits	\$ 202,983
Terminated employees not yet receiving benefits	14,834
Current employees	
Accumulated employee contribution, including allocated investment income	189,861
Employer financed	<u>812,766</u>
Total pension benefit obligation	1,220,444
Net assets available for benefits, at cost (at market \$875,824)	<u>959,169</u>
Unfunded pension benefit obligation	<u>\$ 261,275</u>

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 5 - PENSION PLAN (continued)

During the year ended December 31, 2003, the plan experienced a net change of \$960 in the unfunded pension benefit obligation. The combined change in the pension benefit obligation resulting from benefit changes, if any, and revisions in actuarial assumptions is \$-0-.

Analysis of Funding Progress

<u>Valuation Date December 31</u>	<u>Net Assets Available for Benefits</u>	<u>Pension Benefit Obligation (PBO)</u>	<u>Percent Funded (1)/(2)</u>	<u>Unfunded (Overfunded) PBO (2)-(1)</u>	<u>Annual Covered Payroll</u>
1982	35,338	26,933	131	(8,405)	55,291
1983	40,201	20,988	192	(19,213)	37,525
1984	52,737	20,233	261	(32,504)	68,923
1985	62,253	26,282	237	(35,971)	67,635
1986	75,724	33,891	223	(41,833)	84,523
1987	92,452	41,748	221	(50,704)	107,091
1988	103,656	50,179	207	(53,477)	101,104
1989	120,226	96,917	124	(23,309)	124,464
1990	138,484	123,901	112	(14,583)	149,722
1991	160,975	161,534	100	559	172,553
1992	186,149	186,180	100	31	176,179
1993	213,674	234,878	91	21,204	186,491
1994	243,112	266,050	91	22,938	198,669
1995	281,565	265,839	106	(15,726)	177,094
1996	348,411	368,926	94	20,515	274,607
1997	406,335	453,796	90	47,461	274,028
1998	478,647	453,158	106	(25,489)	385,030
1999	581,602	598,108	97	16,506	387,232
2000	658,487	783,133	84	124,646	385,905
2001	748,977	1,062,664	70	313,687	390,220
2002	828,295	1,090,530	76	262,235	395,617
2003	959,169	1,220,444	79	261,275	392,617

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 6 - LONG-TERM OBLIGATIONS

The Village's long-term obligations as of February 28, 2005, and transactions during the year then ended, are as follows:

Governmental Funds

- On September 1, 2004, the Village issued \$370,000 of general obligation bonds for the Downtown Development Authority. The bonds mature in October 2019 and require an annual payment of principal and interest. As of February 28, 2005, the outstanding balance was \$370,000 with an interest rate ranging for 3% to 5%.
- The Village entered into a capital lease with National City to finance the purchase of a DPW truck. The lease calls for annual payments of \$8,297 with an interest rate of 2.52% included with annual payment. Lease expires during the year ended February 28, 2006 with a balance of \$7,900 on February 28, 2005.

Proprietary Funds

- On April 1, 1999, the Village issued general obligation bonds to finance sewage treatment system. The bonds mature in April 2019 and require an annual payment of principal and interest. As of February 28, 2005, the outstanding balance was \$590,000 with an interest rate ranging from 4.8% to 5%.
- On October 1, 1997, the Village issued general obligation bonds to finance the cost of the water system at Portage Dells. The bonds mature in April 2017 and require an annual payment of principal and interest. As of February 28, 2005, the outstanding balance was \$310,000 with an interest rate ranging from 5.95% to 6%.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

<u>Governmental Funds</u>	<u>Balance 3/1/04</u>	<u>Addition</u>	<u>Decrease</u>	<u>Balance 2/28/05</u>
Bonds payable	\$	\$	\$	\$
National City Bank	15,800	370,000	7,900	370,000
				7,900
Total governmental fund long-term debt	<u>\$ 15,800</u>	<u>\$ 370,000</u>	<u>\$ 7,900</u>	<u>\$ 377,900</u>
<u>Enterprise Funds</u>				
1997 Portage Dells Special Assessment Limited Tax Bonds, interest is charged at 6%	\$ 325,000	\$	\$ 15,000	\$ 310,000
1998 Sewer Special Assessment limited tax bonds, interest is charged at 4.8% to 5.0%	610,000		20,000	590,000
Total enterprise fund	<u>\$ 935,000</u>		<u>\$ 35,000</u>	<u>\$ 900,000</u>

The following is a schedule of principal and interest payments to service the long-term obligations of the Village:

	<u>Bonds Payable 1997 Sewer</u>		<u>Bonds Payable 1997 Water</u>		<u>Bonds Payable 2004 Downtown Development</u>		<u>Capital Lease DPW Truck</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005-2006	\$ 25,000	\$ 27,838	\$ 15,000	\$ 18,108	\$ 15,000	\$ 15,425	\$ 7,900	\$ 397
2006-2007	25,000	26,663	15,000	17,223	15,000	13,489		
2007-2008	25,000	25,488	20,000	16,190	15,000	12,983		
2008-2009	30,000	24,195	20,000	15,000	20,000	12,488		
2009-2010	30,000	22,785	20,000	13,800	20,000	11,888		
2010-2015	190,000	89,230	125,000	48,450	115,000	49,140		
2015-2020	<u>265,000</u>	<u>34,696</u>	<u>95,000</u>	<u>8,850</u>	<u>170,000</u>	<u>22,890</u>		
Total	<u>\$ 590,000</u>	<u>\$ 250,895</u>	<u>\$ 310,000</u>	<u>\$ 137,621</u>	<u>\$ 370,000</u>	<u>\$ 138,303</u>	<u>\$ 7,900</u>	<u>\$ 397</u>

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the governmental fund for the year ended February 28, 2005 was as follows:

A summary of changes in governmental fund capital assets is as follows:

	Balance 3/1/04	Additions	Deletions	Balance 2/28/05
Land	\$ 35,805	\$	\$	\$ 35,805
Buildings and improvements	242,248	349,334		591,582
Machinery and equipment	<u>376,349</u>			<u>376,349</u>
Total capital assets	654,402	349,334		1,003,736
Accumulated depreciation	<u>(330,523)</u>	<u>(29,564)</u>		<u>(360,087)</u>
Governmental activities capital asset, net	<u>\$ 323,879</u>	<u>\$ 319,770</u>	<u>\$</u>	<u>\$ 643,649</u>

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Village utilizes the straight line method to depreciate capital assets over their estimated useful lives. There is \$377,900 of debt associated with these capital assets.

NOTE 8 - CHANGES IN PROPRIETARY CAPITAL ASSETS

A summary of changes in proprietary fixed assets is as follows:

	Balance 3/1/04	Additions	Deletions	Balance 2/28/05
Land				
Property, plant and equipment - sewer	\$ 5,279,296	\$	\$ 4,224	\$ 5,275,072
Property, plant and equipment - water	<u>4,068,032</u>	<u>11,049</u>		<u>4,079,081</u>
	9,347,328	11,049	4,224	9,354,153
Less accumulated depreciation	<u>2,775,571</u>	<u>(245,321)</u>	<u>4,224</u>	<u>3,016,668</u>
Net	<u>\$ 6,571,757</u>	<u>\$ (234,272)</u>	<u>\$</u>	<u>\$ 6,337,485</u>

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 9 - STATEMENT OF CASH FLOWS

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The indirect method was utilized to present cash flows from operations. The following is a schedule of beginning and ending cash and cash equivalents:

	<u>March 1, 2004</u>	<u>February 28, 2005</u>
Current assets		
Cash	\$ 929,277	\$ 825,732
Restricted assets		
Cash	<u>3,058,459</u>	<u>2,560,513</u>
Cash	<u>\$ 3,987,736</u>	<u>\$ 3,386,245</u>

NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village maintains two enterprise funds, which provide water and sewer services. Segment information for the year ended February 28, 2005, was as follows:

	<u>Sewage Disposal System Fund</u>	<u>Water Fund Village</u>
Operating revenues	\$ 302,309	\$ 143,650
Depreciation	139,637	105,685
Operating (loss)	(149,375)	(79,361)
Non-operating revenues	26,224	28,720
Net income (loss)	(754,306)	(131,146)
Total assets	5,552,904	4,817,892
Accounts payable	6,697	1,508
Net working capital	724,055	679,438
Net assets	4,944,363	4,497,128

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 11 - COMPONENT UNIT OMISSION

The Village has not reported the financial data of the Pinckney Auxiliary Police Officers Association. The financial data has not been subject to audit procedures. The following data covers the period from January 1 - December 31, 2003:

ASSETS	
Cash	\$ 1,815
Accounts receivable	<u>6,464</u>
Total assets	<u>\$ 8,279</u>
FUND BALANCE	
	<u>\$ 8,279</u>
REVENUES	
	\$ 9,807
EXPENDITURES	
	<u>7,928</u>
Expenditures over revenues	<u>\$ 1,879</u>

NOTE 12 – IMPLEMENTATION OF GASB STATEMENT NO. 34

The Village has implemented the standards required by GASB Statement No. 34 for the year ended February 28, 2005. All required statements and disclosures have been included in the basic financial statements.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

**NOTE 13 - RECONCILIATION OF FUND FINANCIAL STATEMENTS
TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 1,465,754
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Historical cost	\$ 1,003,736	
Depreciation	<u>(360,087)</u>	
Capital assets net of depreciation		643,649
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. This includes:		
Contracts payable	(7,900)	
Bonds payable	<u>(370,000)</u>	
Total		<u>(377,900)</u>
Net assets of governmental activities		<u>\$ 1,731,503</u>

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

**NOTE 13 - RECONCILIATION OF FUND FINANCIAL STATEMENTS
TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 130,145
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:

Capital outlay	\$ 349,334	
Depreciation expense	<u>(29,564)</u>	
Net		319,770

Repayment of bond and contract payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repayment of:	
Contracts payable	7,900

Proceeds from long-term debt provide current financial resources to governmental funds, but the issuing of debt increase long-term liabilities in the Statement of Activities

Bond proceeds	<u>(370,000)</u>
Change in net assets of governmental activities	<u>\$ 87,815</u>

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$	\$	\$ 527,599	\$
Licenses and permits				
Right-of-way			3,000	
Zoning			2,940	
Site			700	
Vendor			25	
Cable TV			10,407	
State shared revenues			168,824	
Charges for services				
Refuse collection			116,258	
Fines and forfeitures				
District and local court fines			15,890	
Interest			10,506	
Zoning board of appeals			650	
Tower rental			33,140	
Refunds and reimbursements			17,292	
Other revenues				
Miscellaneous			2,839	
Total revenues	874,175	874,175	910,070	35,895
EXPENDITURES	909,384	964,587	906,509	58,078
Excess of revenues over (under) expenditures	(35,209)	(90,412)	3,561	93,973
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000		(25,000)
Transfers (out)	(6,790)	(8,290)	(7,382)	908
Total other financing sources (uses)	18,210	16,710	(7,382)	(24,092)
Excess of revenues over (under) expenditures and other financing sources (uses)	(16,999)	(73,702)	(3,821)	69,881
FUND BALANCE, MARCH 1, 2004	651,344	651,344	651,344	
FUND BALANCE, FEBRUARY 28, 2005	\$ 634,345	\$ 577,642	\$ 647,523	\$ 69,881

VILLAGE OF PINCKNEY
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Michigan Vehicle Highway Fund	\$	\$	\$ 96,141	\$
Interest income			2,244	
Total revenues	<u>456,386</u>	<u>79,800</u>	<u>98,385</u>	<u>18,585</u>
EXPENDITURES				
Wages			269	
Contracted construction			150,575	
Supplies			12	
Equipment usage costs			8,469	
Insurance			4,400	
Labor usage costs			12,646	
Miscellaneous			500	
Total expenditures	<u>474,263</u>	<u>255,752</u>	<u>176,871</u>	<u>78,881</u>
Excess of revenues over (under) expenditures	(17,877)	(175,952)	(78,486)	97,466
FUND BALANCE, MARCH 1, 2004	<u>206,589</u>	<u>206,589</u>	<u>206,589</u>	
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 188,712</u>	<u>\$ 30,637</u>	<u>\$ 128,103</u>	<u>\$ 97,466</u>

VILLAGE OF PINCKNEY
HIGHWAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Taxes	\$	\$	\$ 135,014	\$
Right of way fees			7,466	
Miscellaneous income			13	
Sidewalk reimbursement			12,522	
Interest			3,070	
Total revenue	167,000	151,000	158,085	7,085
EXPENDITURES				
Downtown Development Authority			10,946	
Sidewalks			3,279	
Miscellaneous			97	
Total expenditures	10,850	153,617	14,322	139,295
Excess of revenues over (under) expenditures and other financing sources (uses)	156,150	(2,617)	143,763	146,380
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(283,000)			
Excess of revenues over (under) expenditures and other financing sources (uses)	(126,850)	(2,617)	143,763	146,380
FUND BALANCE, MARCH 1, 2004	170,212	170,212	170,212	
FUND BALANCE, FEBRUARY 28, 2005	\$ 43,362	\$ 167,595	\$ 313,975	\$ 146,380

VILLAGE OF PINCKNEY
DOWNTOWN DEVELOPMENT AUTHORITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Budget	Actual	
REVENUES				
Property taxes	\$	\$	\$ 78,353	\$
Interest income			3,945	
Total revenues	65,000	67,500	82,298	14,798
EXPENDITURES				
Capital outlay			349,334	
Supplies			1,375	
Debt – interest			12,669	
Contracted services			1,197	
Legal and audit fees			14,303	
Printing and postage			3,752	
Utilities			6,854	
Miscellaneous			398	
Total expenditures	415,000	420,373	389,882	30,491
Excess of revenues over (under) expenditures	(350,000)	(352,873)	(307,584)	45,289
OTHER FINANCING SOURCES				
Bond proceeds	400,000	364,450	370,000	5,550
Excess of revenues over (under) expenditures and other financing sources (uses)	50,000	11,577	62,416	50,839
FUND BALANCE, MARCH 1, 2004	93,323	93,323	93,323	
FUND BALANCE, FEBRUARY 28, 2005	\$ 143,323	\$ 104,900	\$ 155,739	\$ 50,839

VILLAGE OF PINCKNEY
SCHEDULES OF PENSION FUNDING PROGRESS (UNAUDITED)
FOR THE YEAR ENDED FEBRUARY 28, 2005

In accordance with the Governmental Accounting Standards Board Statements No. 25 and 27, the following information is a required part of the basic financial statements.

<u>Analysis of Funding Progress</u>					
Valuation Date <u>December 31</u>	Net Assets Available for <u>Benefits</u>	Pension Benefit Obligation <u>(PBO)</u>	Percent Funded <u>(1)/(2)</u>	Unfunded (Overfunded) PBO <u>(2)-(1)</u>	Annual Covered <u>Payroll</u>
1982	35,338	26,933	131	(8,405)	55,291
1983	40,201	20,988	192	(19,213)	37,525
1984	52,737	20,233	261	(32,504)	68,923
1985	62,253	26,282	237	(35,971)	67,635
1986	75,724	33,891	223	(41,833)	84,523
1987	92,452	41,748	221	(50,704)	107,091
1988	103,656	50,179	207	(53,477)	101,104
1989	120,226	96,917	124	(23,309)	124,464
1990	138,484	123,901	112	(14,583)	149,722
1991	160,975	161,534	100	559	172,553
1992	186,149	186,180	100	31	176,179
1993	213,674	234,878	91	21,204	186,491
1994	243,112	266,050	91	22,938	198,669
1995	281,565	265,839	106	(15,726)	177,094
1996	348,411	368,926	94	20,515	274,607
1997	406,335	453,796	90	47,461	274,028
1998	478,647	453,158	106	(25,489)	385,030
1999	581,602	598,108	97	16,506	387,232
2000	658,487	783,133	84	124,646	385,905
2001	748,977	1,062,664	70	313,687	390,220
2002	828,295	1,090,530	76	262,235	395,617
2003	959,169	1,220,444	79	261,275	392,617

SUPPLEMENTARY INFORMATION

COMBINING
FINANCIAL
STATEMENTS

VILLAGE OF PINCKNEY
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
FEBRUARY 28, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Highway</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 118,783	\$ 81,199	\$ 310,261
Accounts receivable - other			1,415
Property taxes receivable			2,299
M.V.H.F. receivable	16,444	7,379	
Prepaid expenditures	<u>3,366</u>	<u>3,366</u>	
Total assets	<u>\$ 138,593</u>	<u>\$ 91,944</u>	<u>\$ 313,975</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 10,490	\$	\$
Accrued interest payable			
Due to other funds	<u> </u>	<u> </u>	<u> </u>
Total liabilities	10,490		
FUND BALANCE	<u>128,103</u>	<u>91,944</u>	<u>313,975</u>
Total liabilities and fund balance	<u>\$ 138,593</u>	<u>\$ 91,944</u>	<u>\$ 313,975</u>

<u>Downtown Development Authority</u>	<u>Cemetery</u>	<u>Police Training</u>	<u>Drug Law Enforcement</u>	<u>Local Improvement</u>	<u>Totals</u>
\$ 267,091	\$ 85,968	\$ 1,327	\$ 2,722	\$ 37,611	\$ 904,962
27,030					1,415
					29,329
					23,823
	967				7,699
<u>\$ 294,121</u>	<u>\$ 86,935</u>	<u>\$ 1,327</u>	<u>\$ 2,722</u>	<u>\$ 37,611</u>	<u>\$ 967,228</u>
\$ 119,362	\$ 125	\$	\$	\$	\$ 129,977
7,120					7,120
11,900					11,900
138,382	125				148,997
<u>155,739</u>	<u>86,810</u>	<u>1,327</u>	<u>2,722</u>	<u>37,611</u>	<u>818,231</u>
<u>\$ 294,121</u>	<u>\$ 86,935</u>	<u>\$ 1,327</u>	<u>\$ 2,722</u>	<u>\$ 37,611</u>	<u>\$ 967,228</u>

VILLAGE OF PINCKNEY
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
FEBRUARY 28, 2005

	<u>Sewage Disposal System</u>	<u>Water Fund Village</u>	<u>Totals</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 362,363	\$ 463,369	\$ 825,732
Accounts receivable - billings	103,394	40,237	143,631
Prepaid expenses	8,800	8,435	17,235
Special assessment receivable	292,969	191,934	484,903
Inventory		1,200	1,200
Due from other funds	<u>70</u>	<u>27</u>	<u>97</u>
Total current assets	<u>767,596</u>	<u>705,202</u>	<u>1,472,798</u>
RESTRICTED ASSETS			
Cash - bond and interest redemption		190,993	190,993
Cash - special assessments	351,475		351,475
Cash - capital replacement	960,301	730,026	1,690,327
Cash - construction		<u>327,718</u>	<u>327,718</u>
Total restricted assets	<u>1,311,776</u>	<u>1,248,737</u>	<u>2,560,513</u>
PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	5,275,072	4,079,081	9,354,153
Less accumulated depreciation	<u>(1,801,540)</u>	<u>(1,215,128)</u>	<u>(3,016,668)</u>
Net property, plant and equipment	<u>3,473,532</u>	<u>2,863,953</u>	<u>6,337,485</u>
Total assets	<u>\$ 5,552,904</u>	<u>\$ 4,817,892</u>	<u>\$ 10,370,796</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable	\$ 6,697	\$ 1,508	\$ 8,205
Accrued interest payable	11,844	7,729	19,573
Bonds payable		310,000	310,000
Payable from restricted assets			
Bonds payable	590,000		590,000
Due to other funds		<u>1,527</u>	<u>1,527</u>
Total liabilities	<u>608,541</u>	<u>320,764</u>	<u>929,305</u>
	<u>4,944,363</u>	<u>4,497,128</u>	<u>9,441,491</u>
FUND EQUITY			
Total liabilities and fund equity	<u>\$ 5,552,904</u>	<u>\$ 4,817,892</u>	<u>\$ 10,370,796</u>

VILLAGE OF PINCKNEY
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
FEBRUARY 28, 2005

		Current Tax Collection	Trust and Agency	Totals
	<u>ASSETS</u>			
ASSETS				
Cash		\$	\$ 48,471	\$ 48,471
	<u>LIABILITIES</u>			
LIABILITIES				
Due to others		\$	\$ 46,087	\$ 46,087
Due to other funds			2,384	2,384
Total liabilities		\$	\$ 48,471	\$ 48,471

VILLAGE OF PINCKNEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Highway</u>
REVENUES			
Fees	\$	\$	\$ 19,988
Taxes			135,014
Intergovernmental - state and local	96,141	42,985	
Interest	2,244	1,314	3,070
Miscellaneous	<u> </u>	<u>470</u>	<u>13</u>
Total revenues	<u>98,385</u>	<u>44,769</u>	<u>158,085</u>
EXPENDITURES			
Community development			10,946
Cemetery			
Highways and streets	176,871	42,776	3,376
Law enforcement	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>176,871</u>	<u>42,776</u>	<u>14,322</u>
Excess of revenues over (under) expenditures	<u>(78,486)</u>	<u>1,993</u>	<u>143,763</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			
Bond proceeds	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>
Excess of revenues over (under) expenditures and other financing sources	(78,486)	1,993	143,763
FUND BALANCE, MARCH 1, 2004	<u>206,589</u>	<u>89,951</u>	<u>170,212</u>
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 128,103</u>	<u>\$ 91,944</u>	<u>\$ 313,975</u>

<u>Downtown Development Authority</u>	<u>Cemetery</u>	<u>Police Training</u>	<u>Drug Law Enforcement</u>	<u>Local Improvement</u>	<u>Totals</u>
\$ 78,353	\$ 13,800	\$	\$	\$	\$ 33,788
		903			213,367
3,945	1,450	20	37	494	140,029
<u> </u>	<u>140</u>	<u> </u>	<u>267</u>	<u> </u>	<u>12,574</u>
<u>82,298</u>	<u>15,390</u>	<u>923</u>	<u>304</u>	<u>494</u>	<u>400,648</u>
389,882					400,828
	18,988				18,988
		1,225			223,023
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1,225</u>
<u>389,882</u>	<u>18,988</u>	<u>1,225</u>	<u> </u>	<u> </u>	<u>644,064</u>
<u>(307,584)</u>	<u>(3,598)</u>	<u>(302)</u>	<u>304</u>	<u>494</u>	<u>(243,416)</u>
				7,382	7,382
<u>370,000</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>370,000</u>
<u>370,000</u>	<u> </u>	<u> </u>	<u> </u>	<u>7,382</u>	<u>377,382</u>
62,416	(3,598)	(302)	304	7,876	133,966
<u>93,323</u>	<u>90,408</u>	<u>1,629</u>	<u>2,418</u>	<u>29,735</u>	<u>684,265</u>
<u>\$ 155,739</u>	<u>\$ 86,810</u>	<u>\$ 1,327</u>	<u>\$ 2,722</u>	<u>\$ 37,611</u>	<u>\$ 818,231</u>

VILLAGE OF PINCKNEY
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL ENTERPRISE FUNDS
 FOR THE YEAR ENDED FEBRUARY 28, 2005

	Sewage Disposal System	Water Fund Village	Totals
OPERATING REVENUES			
Charges for services	\$ 302,309	\$ 143,650	\$ 445,959
OPERATING EXPENSES	<u>451,684</u>	<u>223,011</u>	<u>674,695</u>
Operating (loss)	<u>(149,375)</u>	<u>(79,361)</u>	<u>(228,736)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	45,600	40,911	86,511
Interest expense	(28,503)	(18,625)	(47,128)
Other	<u>9,127</u>	<u>6,434</u>	<u>15,561</u>
Net non-operating revenues	<u>26,224</u>	<u>28,720</u>	<u>54,944</u>
Loss before capital contributions and special item	(123,151)	(50,641)	(173,792)
CAPITAL CONTRIBUTIONS			
Connection fees	<u>61,670</u>	<u>42,045</u>	<u>103,715</u>
Net (loss) before special item	(61,481)	(8,596)	(70,077)
SPECIAL ITEM			
Connection fees repaid	<u>(692,825)</u>	<u>(122,550)</u>	<u>(815,375)</u>
Net (loss)	(754,306)	(131,146)	(885,452)
RETAINED EARNINGS, MARCH 1, 2003	<u>5,698,669</u>	<u>4,628,274</u>	<u>10,326,943</u>
RETAINED EARNINGS, FEBRUARY 28, 2005	<u>\$ 4,944,363</u>	<u>\$ 4,497,128</u>	<u>\$ 9,441,491</u>

VILLAGE OF PINCKNEY
COMBINING STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Sewage Disposal System	Water Fund Village	Totals
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (149,375)	\$ (79,361)	\$ (228,736)
Adjustments to reconcile operating income to net cash from (used in) operating activities			
Miscellaneous income/expenses	9,127	6,834	15,961
Depreciation	139,637	105,685	245,322
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	71,565	(2,261)	69,304
(Increase) in prepaid expenses	(871)	(836)	(1,707)
(Increase) decrease in due from other funds	(63)	1	(62)
Increase in accounts payable	(21,875)	(2,106)	(23,981)
(Decrease) in due to other funds	<u>(502)</u>	<u>(502)</u>	<u>(502)</u>
Total adjustments	<u>197,520</u>	<u>106,815</u>	<u>304,335</u>
Net cash from operating activities	<u>48,145</u>	<u>27,454</u>	<u>75,599</u>
CASH FLOWS FROM (USED IN) CAPITAL RELATED FINANCING ACTIVITIES			
Connection fees received	61,670	42,045	103,715
Connection fees repaid	(692,825)	(122,550)	(815,375)
Purchases of fixed assets		(11,049)	(11,049)
Special assessments collected	20,926	35,966	56,892
Repayment of bonds	(20,000)	(15,000)	(35,000)
Interest paid	<u>(28,503)</u>	<u>(19,393)</u>	<u>(47,896)</u>
Net cash from (used in) capital and related financing activities	<u>(658,732)</u>	<u>(89,981)</u>	<u>(748,713)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Interest on cash and investments	<u>45,600</u>	<u>26,023</u>	<u>71,623</u>
Net (decrease) in cash and cash equivalents	(564,987)	(36,504)	(601,491)
CASH AND CASH EQUIVALENTS AT MARCH 1, 2004	<u>2,239,126</u>	<u>1,748,610</u>	<u>3,987,736</u>
CASH AND CASH EQUIVALENTS AT FEBRUARY 28, 2005	<u>\$ 1,674,139</u>	<u>\$ 1,712,106</u>	<u>\$ 3,386,245</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

VILLAGE OF PINCKNEY
GENERAL FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

ASSETS

Cash	\$ 610,450
Delinquent personal property taxes receivable	2,424
State shared revenues receivable	23,865
Accounts receivable	37,287
Prepaid expenditures	44,005
Due from other funds	<u>15,714</u>
Total assets	<u>\$ 733,745</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 17,092
Deferred revenue	18,988
Accrued payroll and compensated absences	<u>50,142</u>

Total liabilities \$ 86,222

FUND BALANCE

647,523

Total liabilities and fund balance \$ 733,745

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 527,599	\$
Licenses and permits			
Right – of - way		3,000	
Zoning		2,940	
Site		700	
Vendor		25	
Cable TV		10,407	
State shared revenues		168,824	
Charges for services			
Refuse collection		116,258	
Fines and forfeitures			
District and local court fines		15,890	
Interest		10,506	
Zoning board of appeals		650	
Tower rental		33,140	
Refunds and reimbursements		17,292	
Other revenues			
Miscellaneous		2,839	
	<u>874,175</u>	<u>910,070</u>	<u>35,895</u>
Total revenues			
EXPENDITURES	<u>964,587</u>	<u>906,509</u>	<u>58,078</u>
Excess of revenues over (under) expenditures	<u>(90,412)</u>	<u>3,561</u>	<u>93,973</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	25,000		(25,000)
Transfers (out)	<u>(8,290)</u>	<u>(7,382)</u>	<u>908</u>
	<u>16,710</u>	<u>(7,382)</u>	<u>(24,092)</u>
Total other financing sources (uses)			
Excess of revenues over (under) expenditures and other financing sources (uses)	(73,702)	(3,821)	69,881
FUND BALANCE, MARCH 1, 2004	<u>651,344</u>	<u>651,344</u>	
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 577,642</u>	<u>\$ 647,523</u>	<u>\$ 69,881</u>

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
Village - general			
Office supplies	\$	\$ 3,157	\$
Postage		2,284	
Contracting services		6,845	
Dues and subscriptions		1,767	
Telephone and internet		2,980	
Printing and publishing		9,229	
Utilities		4,158	
Equipment maintenance		1,360	
Bank charges		9	
Miscellaneous		435	
Auditors		5,500	
Legal fees		18,034	
Insurance		13,576	
Seminars and training		400	
Retiree benefits		3,415	
Computer supplies and software		3,172	
Office equipment and copier		11,577	
	<u>87,541</u>	<u>87,898</u>	<u>(357)</u>
Total Village - general			
Village council			
Wages		7,100	
Payroll taxes		536	
Insurance		261	
Supplies		44	
Printing and publishing		815	
	<u>8,577</u>	<u>8,756</u>	<u>(179)</u>
Total Village council			
Village president			
Wages		19,231	
Payroll taxes		1,471	
Supplies		242	
Telephone		189	
Convention and meetings		20	
Furniture and fixtures		60	
Computer supplies and software		488	
Equipment and tools		82	
Dues and subscriptions		250	
Insurance		67	
	<u>22,040</u>	<u>22,100</u>	<u>(60)</u>
Total Village president			

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES			
Village clerk			
Wages		28,500	
Payroll taxes		2,181	
Insurance		81	
Computer supplies and software		216	
Supplies		655	
Dues and subscriptions		85	
Mileage reimbursement		97	
Equipment and tools		188	
Miscellaneous		139	
Telephone		354	
	<u> </u>	<u> </u>	<u> </u>
Total Village clerk	<u>32,366</u>	<u>32,496</u>	<u>(130)</u>
Village treasurer			
Wages		41,078	
Payroll taxes		3,179	
Insurance		5,981	
Pension		4,687	
Supplies		143	
Computer supplies and software		1,194	
Miscellaneous		75	
	<u> </u>	<u> </u>	<u> </u>
Total Village treasurer	<u>56,963</u>	<u>56,337</u>	<u>626</u>
Village secretary			
Wages		35,552	
Payroll taxes		2,815	
Insurance		5,912	
Pension		4,151	
	<u> </u>	<u> </u>	<u> </u>
Total Village secretary	<u>49,735</u>	<u>48,430</u>	<u>1,305</u>

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES			
Village grounds and building			
Equipment and tools		126	
Supplies		350	
Property taxes		246	
Contracted services		6,842	
Printing and publishing		116	
Repairs and maintenance		1,338	
Insurance		1,144	
Legal fees		714	
		<u> </u>	<u> </u>
Total Village grounds and building	<u>10,444</u>	<u>10,876</u>	<u>(432)</u>
Village election			
Wages		931	
Payroll taxes		71	
Supplies		28	
Printing and publishing		175	
Contracted services		177	
Miscellaneous		57	
Legal fees		522	
		<u> </u>	<u> </u>
Total Village election	<u>2,257</u>	<u>1,961</u>	<u>296</u>
Village planning commission			
Wages		5,867	
Payroll taxes		451	
Insurance		17	
Printing and publishing		3,797	
Supplies		183	
Legal fees		943	
		<u> </u>	<u> </u>
Total Village planning commission	<u>10,791</u>	<u>11,258</u>	<u>(467)</u>

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES			
Village zoning administrator			
Wages		8,626	
Payroll taxes		660	
Supplies		61	
Insurance		139	
Printing and publishing		204	
Total Village zoning administrator	<u>9,650</u>	<u>9,690</u>	<u>(40)</u>
Street lights	<u>48,750</u>	<u>34,306</u>	<u>14,444</u>
Village disposal service	<u>102,010</u>	<u>101,300</u>	<u>710</u>
Parks and recreation	<u>3,000</u>		<u>3,000</u>
Village police department			
Wages		178,541	
Payroll taxes		13,779	
Insurance		59,341	
Pension		20,557	
Office supplies		1,124	
Forms, citations, books, etc.		748	
Seminars and training		1,122	
Legal fees		319	
Membership dues		271	
Telephone		2,718	
Radio services		137	
Fuels and lubricants		9,423	
Vehicle repairs and maintenance		5,448	
Uniforms, boots, etc.		2,314	
Small tools and equipment		263	
Capital outlay		5,220	
Computer supplies and software		2,516	
Equipment lease		18,441	
Miscellaneous		278	
Total Village police department	<u>325,693</u>	<u>322,560</u>	<u>3,133</u>
Downtown Development Authority	<u>42,650</u>	<u>42,623</u>	<u>27</u>

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES			
Village DPW			
Wages		182,521	
Payroll taxes		13,934	
Insurance		48,484	
Pension		20,025	
Printing and publishing		458	
Equipment usage		2,941	
Supplies		464	
Refuse container		704	
Legal fees		112	
Telephone		2,528	
Fuels and lubricants		4,915	
Utilities		1,942	
Vehicle repairs and maintenance		2,576	
Building repairs and maintenance		73	
Uniforms		3,788	
Small tools and equipment		1,616	
Capital outlay		9,630	
Debt service		8,297	
Subcontract services		175	
Miscellaneous		148	
Reimbursements - wages		(159,832)	
Reimbursements - equipment hours		(29,581)	
	<u>152,120</u>	<u>115,918</u>	<u>36,202</u>
Total Village DPW			
	<u>\$ 964,587</u>	<u>\$ 906,509</u>	<u>\$ 58,078</u>
Total Village expenditures			

MAJOR
STREET
FUND

VILLAGE OF PINCKNEY
MAJOR STREET FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

ASSETS

Cash and investments	\$ 118,783
Michigan Vehicle Highway	
Fund receivable	16,444
Prepaid expenditures	<u>3,366</u>
Total assets	<u>\$ 138,593</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 10,490
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FUND BALANCE

128,103

Total liabilities and fund balance	<u>\$ 138,593</u>
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VILLAGE OF PINCKNEY
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Michigan Vehicle Highway Fund	\$	\$ 96,141	\$
Interest income		<u>2,244</u>	
Total revenues	<u>79,800</u>	<u>98,385</u>	<u>18,585</u>
EXPENDITURES			
Wages		269	
Contracted construction		150,575	
Supplies		12	
Equipment usage costs		8,469	
Insurance		4,400	
Labor usage costs		12,646	
Miscellaneous		<u>500</u>	
Total expenditures	<u>255,752</u>	<u>176,871</u>	<u>78,881</u>
Excess of revenues over (under) expenditures	(175,952)	(78,486)	97,466
FUND BALANCE, MARCH 1, 2004	<u>206,589</u>	<u>206,589</u>	
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 30,637</u>	<u>\$ 128,103</u>	<u>\$ 97,466</u>

LOCAL
STREET
FUND

VILLAGE OF PINCKNEY
LOCAL STREET FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

ASSETS

Cash and investments	\$ 81,199
Michigan Vehicle Highway	
Fund receivable	7,379
Prepaid expenditures	<u>3,366</u>
Total assets	<u>\$ 91,944</u>

FUND BALANCE

FUND BALANCE	<u>\$ 91,944</u>
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VILLAGE OF PINCKNEY
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Michigan Vehicle Highway Fund	\$	\$ 42,985	\$
Miscellaneous		470	
Interest		<u>1,314</u>	
Total revenues	<u>35,000</u>	<u>44,769</u>	<u>9,769</u>
EXPENDITURES			
Contracted construction		8,324	
Equipment usage costs		12,291	
Insurance		4,642	
Labor usage costs		17,019	
Miscellaneous		<u>500</u>	
Total expenditures	<u>70,852</u>	<u>42,776</u>	<u>28,076</u>
Excess of revenues over (under) expenditures	(35,852)	1,993	37,845
FUND BALANCE, MARCH 1, 2004	<u>89,951</u>	<u>89,951</u>	
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 54,099</u>	<u>\$ 91,944</u>	<u>\$ 37,845</u>

HIGHWAY
FUND

VILLAGE OF PINCKNEY
HIGHWAY FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

ASSETS

Cash and investments	\$ 310,261
Accounts receivable sidewalk reimbursement	1,415
Delinquent personal property taxes receivable	<u>2,299</u>

Total assets	<u>\$ 313,975</u>
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FUND BALANCE

FUND BALANCE	<u>\$ 313,975</u>
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VILLAGE OF PINCKNEY
HIGHWAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 135,014	\$
Right of way fees		7,466	
Miscellaneous income		13	
Sidewalk reimbursement		12,522	
Interest		<u>3,070</u>	
Total revenue	<u>151,000</u>	<u>158,085</u>	<u>7,085</u>
EXPENDITURES			
Downtown Development Authority		10,946	
Sidewalks		3,279	
Miscellaneous		<u>97</u>	
Total expenditures	<u>153,617</u>	<u>14,322</u>	<u>139,295</u>
Excess of revenues over (under) expenditures	(2,617)	143,763	146,380
FUND BALANCE, MARCH 1, 2004	<u>170,212</u>	<u>170,212</u>	
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 167,595</u>	<u>\$ 313,975</u>	<u>\$ 146,380</u>

DOWNTOWN
DEVELOPMENT
AUTHORITY FUND

VILLAGE OF PINCKNEY
DOWNTOWN DEVELOPMENT AUTHORITY FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

ASSETS

Cash	\$ 267,091	
Property taxes receivable	<u>27,030</u>	
Total assets		<u>\$ 294,121</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 119,362	
Accrued interest payable	7,120	
Due to other funds	<u>11,900</u>	
Total liabilities		\$ 138,382

FUND BALANCE

		<u>155,739</u>
Total liabilities and fund balance		<u>\$ 294,121</u>

VILLAGE OF PINCKNEY
DOWNTOWN DEVELOPMENT AUTHORITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 78,353	\$
Interest income		<u>3,945</u>	
Total revenues	<u>67,500</u>	<u>82,298</u>	<u>14,798</u>
EXPENDITURES			
Capital outlay		349,334	
Supplies		1,375	
Debt – interest		12,669	
Contracted services		1,197	
Legal and audit fees		14,303	
Printing and postage		3,752	
Utilities		6,854	
Miscellaneous		<u>398</u>	
Total expenditures	<u>420,373</u>	<u>389,882</u>	<u>30,491</u>
Excess of revenues over (under) expenditures	(352,873)	(307,584)	45,289
OTHER FINANCING SOURCES			
Bond proceeds	<u>364,450</u>	<u>370,000</u>	<u>5,550</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	11,577	62,416	50,839
FUND BALANCE, MARCH 1, 2004	<u>93,323</u>	<u>93,323</u>	
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 104,900</u>	<u>\$ 155,739</u>	<u>\$ 50,839</u>

CEMETERY
FUND

VILLAGE OF PINCKNEY
CEMETERY FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

ASSETS

Cash and investments	\$ 85,968
Prepaid expenditures	<u>967</u>

Total assets	<u>\$ 86,935</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 125
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FUND BALANCE

	<u>86,810</u>
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Total liabilities and fund balance	<u>\$ 86,935</u>
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VILLAGE OF PINCKNEY
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Sale of lots	\$	\$ 13,800	\$
Interest		1,450	
Miscellaneous		<u>140</u>	
Total revenues	<u>14,870</u>	<u>15,390</u>	<u>520</u>
EXPENDITURES			
Equipment usage costs		3,862	
Repurchase lots		3,150	
Labor usage costs		8,903	
Subcontract services		600	
Supplies and miscellaneous		208	
Insurance		1,106	
Printing and publishing		478	
Legal fees		92	
Repairs and maintenance		<u>589</u>	
Total expenditures	<u>19,058</u>	<u>18,988</u>	<u>70</u>
Excess of revenues over (under) expenditures	(4,188)	(3,598)	590
FUND BALANCE, MARCH 1, 2004	<u>90,408</u>	<u>90,408</u>	
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 86,220</u>	<u>\$ 86,810</u>	<u>\$ 590</u>

POLICE
TRAINING
FUND

VILLAGE OF PINCKNEY
POLICE TRAINING FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

ASSETS
Cash

\$ 1,327

FUND BALANCE

FUND BALANCE

\$ 1,327

VILLAGE OF PINCKNEY
POLICE TRAINING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Grant - state	\$	\$ 903	\$
Interest		20	
Total revenues	<u>915</u>	<u>923</u>	<u>8</u>
EXPENDITURES			
Seminars and training		<u>1,225</u>	
Total expenditures	<u>1,250</u>	<u>1,225</u>	<u>25</u>
Excess of revenues over (under) expenditures	(335)	(302)	33
FUND BALANCE, MARCH 1, 2004	<u>1,629</u>	<u>1,629</u>	
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 1,294</u>	<u>\$ 1,327</u>	<u>\$ 33</u>

DRUG
LAW ENFORCEMENT
FUND

VILLAGE OF PINCKNEY
DRUG LAW ENFORCEMENT FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

ASSETS

Cash and investments

\$ 2,722

FUND BALANCE

FUND BALANCE

\$ 2,722

VILLAGE OF PINCKNEY
 DRUG LAW ENFORCEMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Miscellaneous income	\$	\$ 267	\$
Interest		<u>37</u>	
Total revenues	<u>20</u>	<u>304</u>	<u>284</u>
EXPENDITURES			
Training	<u>500</u>		<u>500</u>
Excess of revenues over (under) expenditures	(480)	304	784
FUND BALANCE, MARCH 1, 2004	<u>2,418</u>	<u>2,418</u>	
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 1,938</u>	<u>\$ 2,722</u>	<u>\$ 784</u>

LOCAL
IMPROVEMENT
FUND

VILLAGE OF PINCKNEY
LOCAL IMPROVEMENT FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

ASSETS

Cash and investments

\$ 37,611

FUND BALANCE

FUND BALANCE

\$ 37,611

VILLAGE OF PINCKNEY
LOCAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$	\$ 494	\$ 494
EXPENDITURES	<u> </u>	<u> </u>	<u> </u>
Excess of revenues over (under) expenditures		494	494
OTHER FINANCING SOURCES (USES)			
Transfers in	6,790	7,382	592
Transfers (out)	<u>(25,000)</u>	<u> </u>	<u>25,000</u>
Total other financing sources (uses)	<u>(18,210)</u>	<u>7,382</u>	<u>25,592</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	(18,210)	7,876	26,086
FUND BALANCE, MARCH 1, 2004	<u>29,735</u>	<u>29,735</u>	<u> </u>
FUND BALANCE, FEBRUARY 28, 2005	<u>\$ 11,525</u>	<u>\$ 37,611</u>	<u>\$ 26,086</u>

SEWAGE
DISPOSAL SYSTEM
FUND

VILLAGE OF PINCKNEY
SEWAGE DISPOSAL SYSTEM FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

CURRENT ASSETS

Cash - sewer receiving and operation savings	\$ 362,363
Accounts receivable - billings	103,394
Accounts receivable - special assessment	292,969
Due from other funds	70
Prepaid expenses	<u>8,800</u>

Total current assets \$ 767,596

RESTRICTED ASSETS

Cash - special assessments	351,475
Cash - capital replacement	<u>960,301</u>

Total restricted assets 1,311,776

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	5,275,072
Less: accumulated depreciation	<u>(1,801,540)</u>

Net property, plant and equipment 3,473,532

Total assets \$ 5,552,904

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 6,697
Bonds payable - current portion	25,000
Accrued interest payable	<u>11,844</u>

Total current liabilities \$ 43,541

LONG-TERM LIABILITIES

Payable from restricted assets	
Special assessment limited tax bonds	590,000
Less: current portion above	<u>(25,000)</u>

Total long-term liabilities 565,000

Total liabilities 608,541

FUND EQUITY

Retained earnings	<u>4,944,363</u>
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Total liabilities and fund equity \$ 5,552,904

VILLAGE OF PINCKNEY
SEWAGE DISPOSAL SYSTEM FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED FEBRUARY 28, 2005

OPERATING REVENUES

Sewer billings	\$	302,309
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OPERATING EXPENSES

Depreciation	\$	139,637
Permits and fees		4,050
Administrative costs		6,349
Equipment usage		9,105
Insurance		8,891
Labor costs		73,158
Audit fees		5,000
Legal fees		100,214
Miscellaneous		476
Repairs and maintenance		3,446
Subcontract services		34,920
Supplies		2,307
Telephone		1,254
Interest		44
Fuels and lubricants		2,209
Testing fees		17,942
Utilities		32,596
Lagoon and manhole work		6,321
Seminars and training		1,438
Equipment and tools		<u>2,327</u>

Total operating expenses		<u>451,684</u>
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Operating (loss)		(149,375)
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NON-OPERATING REVENUES (EXPENSES)

Interest income		45,600
Interest (expense)		(28,503)
Other revenue		<u>9,127</u>

Net non-operating revenues		<u>26,224</u>
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Loss before capital contributions and special item		(123,151)
--	--	-----------

CAPITAL CONTRIBUTIONS

Tap-in fees		<u>61,670</u>
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Net income (loss) before special item		(61,481)
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SPECIAL ITEM

Connection and user fees repaid		<u>(692,825)</u>
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Net (loss)		(754,306)
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RETAINED EARNINGS, MARCH 1, 2003		<u>5,698,669</u>
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RETAINED EARNINGS, FEBRUARY 28, 2005	\$	<u>4,944,363</u>
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VILLAGE OF PINCKNEY
SEWAGE DISPOSAL SYSTEM FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2005

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Operating (loss)		\$ (149,375)
Adjustments to reconcile operating income to net cash from (used in) operating activities		
Other revenue	\$ 9,127	
Depreciation	139,637	
Changes in assets and liabilities		
(Increase) in prepaid expenses	(871)	
Decrease in accounts receivable	71,565	
(Increase) in due from other funds	(63)	
(Decrease) in accounts payable	(21,483)	
(Decrease) in accrued interest payable	<u>(392)</u>	
Total adjustments		<u>197,520</u>
Net cash from operating activities		48,145

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES

Tap-in fees received	61,670	
Connection fees repaid	(692,825)	
Repayment of bonds and note payable principal	(20,000)	
Special assessments collected	20,926	
Interest paid	<u>(28,503)</u>	
Net cash (used in) capital and related financing activities		(658,732)

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Interest on cash and investments	<u>45,600</u>
Net (decrease) in cash and cash equivalents	(564,987)

CASH AND CASH EQUIVALENTS AT MARCH 1, 2004	<u>2,239,126</u>
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CASH AND CASH EQUIVALENTS AT FEBRUARY 28, 2005	<u>\$ 1,674,139</u>
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WATER
FUND
VILLAGE

VILLAGE OF PINCKNEY
WATER FUND - VILLAGE
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

CURRENT ASSETS

Cash	\$ 463,369
Accounts receivable – billings	40,237
Prepaid expenses	8,435
Inventory	1,200
Special assessment – current	17,540
Special assessment – deferred	174,394
Due from other funds	<u>27</u>

Total current assets \$ 705,202

RESTRICTED ASSETS

Cash - capital replacement	730,026
Cash - construction	327,718
Cash - bond reserve	<u>190,993</u>

Total restricted assets 1,248,737

PROPERTY, PLANT AND EQUIPMENT

Water system	4,040,037
Equipment	<u>39,044</u>
	4,079,081
Less: accumulated depreciation	<u>(1,215,128)</u>

Net property, plant and equipment 2,863,953

Total assets \$ 4,817,892

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 1,508
Due to other funds	1,527
Accrued interest payable	7,729
Bonds payable - current portion	<u>15,000</u>

Total current liabilities		\$ 25,764
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LONG-TERM LIABILITIES

Bonds payable - less current portion		<u>295,000</u>
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Total liabilities		320,764
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FUND EQUITY

Retained earnings		<u>4,497,128</u>
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Total liabilities and fund equity		<u>\$ 4,817,892</u>
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VILLAGE OF PINCKNEY
WATER FUND - VILLAGE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED FEBRUARY 28, 2005

OPERATING REVENUES		
Water billings		\$ 143,650
OPERATING EXPENSES		
Labor usage	\$ 46,119	
Supplies	186	
Seminars and training	164	
Chemicals	4,788	
Depreciation	105,685	
Legal fees	2,695	
Testing	1,284	
Administrative fees	6,349	
Auditors	4,000	
Subcontracted services	17,355	
Insurance	8,342	
Dues and subscriptions	1,202	
Telephone	600	
Fuels and lubricants	1,334	
Printing and publications	354	
Water meters	2,586	
Utilities	9,227	
Repairs and maintenance	2,701	
Miscellaneous	1,138	
Plumbing supplies	2,403	
Equipment usage	<u>4,499</u>	
Total operating expenses		<u>223,011</u>
OPERATING (LOSS)		(79,361)
NON-OPERATING REVENUES (EXPENSES)		
Miscellaneous income	6,834	
Interest income	26,023	
Interest income - SAD	14,888	
Interest (expense)	(18,625)	
Agent fees	<u>(400)</u>	
Net non-operating revenues		<u>28,720</u>
(Loss) before capital contributions and special item		(50,641)
CAPITAL CONTRIBUTIONS		
Tap-in fees		<u>42,045</u>
(Loss) before special item		(8,596)
SPECIAL ITEM		
Connection and user fees repaid		<u>(122,550)</u>
Net (loss)		(131,146)
RETAINED EARNINGS, MARCH 1, 2004		<u>4,628,274</u>
RETAINED EARNINGS, FEBRUARY 28, 2005		<u>\$ 4,497,128</u>

VILLAGE OF PINCKNEY
WATER FUND - VILLAGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2005

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Operating (loss)		\$ (79,361)
Adjustments to reconcile operating income to net cash from (used in) operating activities		
Miscellaneous income	\$ 6,834	
Depreciation	105,685	
Changes in assets and liabilities		
Increase in accounts receivable - billings	(2,261)	
(Increase) in prepaid expenses	(836)	
Decrease in due from other funds	1	
(Decrease) in accounts payable	(2,106)	
(Decrease) in due to other funds	<u>(502)</u>	
Total adjustments		<u>106,815</u>
Net cash from operating activities		27,454

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES

Tap-in fees received	42,045	
Connection fees repaid	(122,550)	
Special assessment principal	21,078	
Special assessment interest	14,888	
Purchase of equipment	(11,049)	
Bond payment principal	(15,000)	
Bond payment interest/fees	<u>(19,393)</u>	
Net cash (used in) capital and related financing activities		(89,981)

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Interest on cash and investments	<u>26,023</u>
Net (decrease) in cash and cash equivalents	(36,504)

CASH AND CASH EQUIVALENTS AT MARCH 1, 2004 1,748,610

CASH AND CASH EQUIVALENTS AT FEBRUARY 28, 2005 \$ 1,712,106

CURRENT
TAX
COLLECTION
FUND

VILLAGE OF PINCKNEY
CURRENT TAX COLLECTION FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

ASSETS

Cash

\$

LIABILITIES

LIABILITIES

Due to other fund

\$

TRUST
AND
AGENCY
FUND

VILLAGE OF PINCKNEY
TRUST AND AGENCY FUND
BALANCE SHEET
FEBRUARY 28, 2005

ASSETS

ASSETS

Cash

\$ 48,471

LIABILITIES

LIABILITIES

Due to others

\$ 46,087

Due to other funds

2,384

Total liabilities

\$ 48,471

VILLAGE OF PINCKNEY

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED FEBRUARY 28, 2005



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

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June 30, 2005

Village of Pinckney
220 S. Howell
P. O. Box 108
Pinckney, Michigan 48169

Honorable Village Council:

In planning and performing our audit of the financial statements of the Village of Pinckney for the year ended February 28, 2005, we considered the Village's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows.

1. COMMENT

Financial records were not available for a component unit of the Village.

RECOMMENDATION

Financial records of the component unit need to be accessible for inclusion of the financial data for representation in the general purpose financial statements of the Village.

2. COMMENT

Utility billings/receivable could not be reconciled to the general ledger.

RECOMMENDATION

Detailed billing registers and outstanding balance reports need to be maintained and periodically reconciled to the general ledger.

This letter does not affect our report dated June 30, 2005, on the financial statements of the Village of Pinckney.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Village Council and is not intended to be and should not be used by any other party.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

VILLAGE OF PINCKNEY

COMMUNICATION OF REPORTABLE
CONDITIONS TO MANAGEMENT
-IDENTIFICATION OF MATERIAL WEAKNESS

FOR THE YEAR ENDED FEBRUARY 28, 2005

PFEFFER ■ HANNIFORD ■ PALKA
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July 29, 2005

To the Village Council
Village of Pinckney
220 S. Howell
Pinckney, Michigan 48169

In planning and performing our audit of the financial statements of Village of Pinckney for the year ended February 28, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Village of Pinckney's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, the following reportable conditions that we believe to be material weaknesses are:

- The Village of Pinckney's auxiliary Police Fund is required to be part of the Village entity. Reporting all transactions should be recorded by the Village of Pinckney, including oversight by the Village Council.
- The system of internal control for the billing and collections for the utility services is inadequate.

This report is intended solely for the information and use of the Village of Pinckney Council, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Pfeffer, Hanniford & Palka, P.C.